



FALLBROOK PUBLIC UTILITY DISTRICT
 BOARD OF DIRECTORS
 SPECIAL BOARD MEETING AND PUBLIC HEARING

REVISED NOTICE AND AGENDA (REV. 1)

FRIDAY, NOVEMBER 8, 2019
 3:00 P.M.

FALLBROOK PUBLIC UTILITY DISTRICT
 990 E. MISSION RD., FALLBROOK, CA 92028
 PHONE: (760) 728-1125

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 999-2704 for assistance so the necessary arrangements can be made.

Writings that are public records and are distributed during a public meeting are available for public inspection at the meeting if prepared by the local agency or a member of its legislative body or after the meeting if prepared by some other person.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL / ESTABLISH A QUORUM

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMENT

Members of the public are invited to address the Board of Directors on any item that is within the subject matter jurisdiction of the legislative body. The Board President may limit comments to three (3) minutes.

II. PUBLIC HEARING PURSUANT TO GOVERNMENT CODE § 56824.12 FOLLOWED BY ACTION/DISCUSSION

A. PUBLIC HEARING FOR BOARD CONSIDERATION OF RESOLUTION NO. 4983 (RESOLUTION OF APPLICATION BY THE FALLBROOK PUBLIC UTILITY DISTRICT REQUESTING THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION APPROVE ACTIVATION OF THE POWER TO EXERCISE PARKS AND RECREATION, STREET LIGHTING, AND ROADS AND STREETS FUNCTIONS WITHIN ITS BOUNDARIES AS MORE PARTICULARLY DESCRIBED HEREIN AND FINDING THAT THE ACTION IS NOT A "PROJECT" UNDER CEQA OR IS, ALTERNATIVELY, EXEMPT FROM CEQA)

Recommendation:

1. *Hold a Public Hearing to receive written and/or oral comments or testimony made by any affected local agency, affected county or any interested person regarding Resolution No. 4983 related to request to LAFCO for approval of activation of the*

power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries.

2. *There are three alternatives for the Board to consider:*
 - a. *Approve Resolution No. 4983 and direct staff to finalize and submit application documents to LAFCO to support the request of the community groups to activate the District's latent powers as specified in the Resolution for support of public community facilities.*
 - b. *Do not approve Resolution No. 4983 and do not direct staff to finalize and submit an application to LAFCO to activate the latent powers as specified in the Resolution and request groups find an alternative source of funding for community facilities.*
 - c. *Other action as determined by the Board.*

ADJOURN TO CLOSED SESSION

III. CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
SIGNIFICANT EXPOSURE TO LITIGATION PER GC § 54956.9 (d)(2)

*Three (3) Potential Cases: Claims filed by Margaret Ozor, **Paul Brown, and Dusanka Bodjanac***

RECONVENE TO OPEN SESSION

REPORT FROM CLOSED SESSION

IV. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

I, Mary Lou West, Secretary of the Board of Directors of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 24 hours prior to the meeting in accordance with Government Code § 54956.

I, Mary Lou West, further declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

November 7, 2019
Dated / Fallbrook, CA


Secretary, Board of Directors

M E M O

TO: Board of Directors
FROM: Jack Bebee, General Manager, JRB
DATE: November 8, 2019
SUBJECT: Public Hearing for Board Consideration of an Application to LAFCO to Activate Latent Powers to Support Public Community Facilities

Purpose

For the Board to consider an application to LAFCO to support activation of District latent powers for support of public community facilities.

Summary and Background

At the July regular Board meeting, the Board voted to direct staff to complete an application for activation of the District's latent powers for a community benefit program for future Board consideration at a public hearing. The formal Resolution of Application is completed and attached. The public hearing was noticed in both the Fallbrook/Bonsall Village News and the San Diego Union Tribune on October 17 pursuant to the applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Back at the regular Board meeting on May 29, 2018, local community leaders from various community groups requested that the District consider evaluating providing additional funding to support public facilities in the community. These community groups had evaluated various options to accomplish this, including formation of a new district under the County of San Diego. Based on the evaluation the groups determined that utilization of the District latent powers was their recommended option. The groups represented were the non-profit groups that raise money to improve and maintain downtown Fallbrook ("Community Groups") and the surrounding area and include the following:

- Fallbrook Beautification Alliance
- Fallbrook Chamber of Commerce
- Fallbrook Land Conservancy
- Fallbrook Village Association
- Fallbrook Trails Council
- Save Our Forests, CSA 81

At that Board meeting, the Board established an ad hoc committee to study a community benefit program and to direct staff to investigate the Local Agency Formation Commission ("LAFCO") process and bring back the requirements and costs to the Board for further consideration. The ad hoc committee consisted of President McDougal and Vice-President DeMeo.

The Community Groups held numerous meetings over the past two years including meetings with other local organizations, community meetings and town hall meetings. In general, the feedback from those who attended was positive on the concept of using the District's latent powers to develop a mechanism to provide for local public community facilities.

Activation of Latent Powers to Provide for Community Benefits Program¹

In order to activate its latent powers, the District must first approve the attached Resolution of Application to San Diego LAFCO. Staff will then complete the application and submit it to San Diego LAFCO. San Diego LAFCO will then review the application and may request additional information to ensure the application is complete. LAFCO is also in the process of initiating a Municipal Service Review for the District and the activation of the power to provide public community facilities, would likely be included and evaluated as part of this process.

Once the application is deemed complete by LAFCO, the request for activation of the District's latent powers will be brought before the San Diego LAFCO commission for consideration.

Budget Impact

For the initial application process, an amount of \$16,653 must be deposited with LAFCO together with the application materials. There could be additional processing fees from LAFCO depending on their efforts to complete the review of the application.

If approved by LAFCO, the District intends to fund the services with the proceeds of unrestricted property tax revenue that the District currently uses to pay for certain costs and services, including portions of the District's capital improvement program, that would otherwise be payable from fees and charges collected for water and/or sewer services. In other words, the District currently uses property tax revenues to offset the costs of water and/or sewer services, and to offset portions of the District's capital improvement program. The concept developed by these groups would be for the District to redirect property tax revenues toward community facilities, in an amount equal to approximately \$5 per meter per month. Since these property taxes previously paid for costs that would otherwise be payable from fees and charges collected for water and/or sewer services, property related fees, the District would increase its fees accordingly to make up for the shortfall (which would require undertaking a rate increase process pursuant to the requirements of

¹ This Board Agenda Memo uses the terms "Community Benefits Program" and "Public Community Facilities" to describe the types of powers the District seeks to activate. The types of services and activities contemplated to be provided by the District are considered by LAFCO to fall within parks and recreation, street lighting, and roads and streets "functions" which a public utility district, like the District, is permitted to exercise pursuant to Public Utilities Code section 16463. Section 16463 lists, in part the following powers: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets.

Proposition 218). This would generate approximately \$546,000 annually in additional funding for Public Community Facilities.

Recommended Action

There are three alternatives for the Board to consider:

- a. *Approve Resolution No. 4983 and direct staff to finalize and submit application documents to LAFCO to support the request of the community groups to activate the District's latent powers as specified in the Resolution for support of public community facilities.*
- b. *Do not approve Resolution No. 4983 and do not direct staff to finalize and submit an application to LAFCO to activate the latent powers as specified in the Resolution and request groups find an alternative source of funding for community facilities.*
- c. *Other action as determined by the Board.*

RESOLUTION NO. 4983

A RESOLUTION OF APPLICATION BY THE FALLBROOK PUBLIC UTILITY DISTRICT REQUESTING THE SAN DIEGO LOCAL AGENCY FORMATION COMMISSION APPROVE ACTIVATION OF THE POWER TO EXERCISE PARKS AND RECREATION, STREET LIGHTING, AND ROADS AND STREETS FUNCTIONS WITHIN ITS BOUNDARIES AS MORE PARTICULARLY DESCRIBED HEREIN AND FINDING THAT THE ACTION IS NOT A “PROJECT” UNDER CEQA OR IS, ALTERNATIVELY, EXEMPT FROM CEQA

WHEREAS, the Fallbrook Public Utility District (“FPUD”) is a Public Utility District organized under the Public Utility District Act, (Public Utility Code § 15500 et seq.), authorized to provide water, wastewater, and reclaimed water services, within all or part of its boundaries; and

WHEREAS, the Board of Directors of FPUD desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code for the activation of the power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries as more particularly described herein; and

WHEREAS, the Board of Directors of FPUD specifically requests that the San Diego Local Agency Formation Commission (LAFCO) approve activation of the District’s power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the services set forth in Public Utilities Code section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets (“Public Park and Recreation Facilities/ Street Lighting and Road Improvements Powers” or “Activated Powers”); and

WHEREAS, the reason for the proposed activation of powers is to permit FPUD to exercise the Activated Powers in a manner that supplements and not replaces services provided by the County within the area; and

WHEREAS, FPUD proposes to exercise and fund the Activated Powers as more particularly described in the draft Plan for Services attached hereto as Exhibit “A,” and by this reference incorporated herein; and

WHEREAS, a map of the external boundary of FPUD is attached hereto as Exhibit "B," and by this reference incorporated herein; and

WHEREAS, this proposal is consistent with the sphere of influence of the FPUD; and

WHEREAS, the approval of the power to exercise the Activated Powers is not a project within the meaning of CEQA because it does not have the potential to result in a direct physical change in the environment or a reasonably foreseeable indirect physical change to the environment. (Pub. Res. Code § 21065; CEQA Guidelines § 15378(a). The activation of powers itself will not change any existing land use or result in construction of new parks or buildings. Rather, the activation will involve re-allocation of FPUD's existing property tax revenue to support and enhance existing parks and recreation services, street lighting services, and street and road drainage services that are currently provided by other entities. Further, the activation of powers does not authorize any construction or development of land. If a construction or development project is proposed in the future, the proposed construction or development would be subject to environmental review as appropriate at that time; and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a "project" within CEQA's meaning, it is exempt under the Class 1 exemption for existing facilities (CEQA Guidelines § 15301) as the activation would provide a stable source of funding for maintenance and/or minor alterations of existing parks, playgrounds, recreation or other public buildings, street lighting, curbs, gutters, sidewalk and street pavement. The maintenance and/or minor alterations will not expand, or will result in only negligible expansion of, the existing use of the parks, playgrounds, recreation or other public buildings, street lighting, curbs, gutters, sidewalk and street pavement. There is no evidence that the activation involves any unusual circumstances that might cause a significant effect on the environment. (CEQA Guidelines § 15300.2(c).); and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a "project" within CEQA's meaning, it is exempt under the Class 20 exemption for changes in the organization of local agencies. (CEQA Guidelines § 15320.) Under section 15320, changes in the organization of a local governmental agency are exempt if the changes do not modify the geographical area in which previously existing powers are exercised. This exemption applies because activation of latent powers is a "change of organization" under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and because the activation does not change the District's geographical area or the geographical area within which the District exercises its powers. This exemption also applies because the County of San Diego already exercises these powers within the District's boundaries and as such, there is no

expansion of powers. Finally, the exemption applies because the proposed activation simply seeks authorization from LAFCO to activate powers that the District already possesses under the Public Utility District Act. There is no evidence that the activation involves any unusual circumstances that might cause a significant effect on the environment. (CEQA Guidelines § 15300.2(c).); and

WHEREAS, even if the approval of the power to exercise the Activated Powers is considered a “project,” it is also exempt under the “common sense” exemption because it can be seen with certainty that there is no possibility that activation may have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).) The activation will leverage existing administrative and procurement resources to help better execute projects to support community facilities and public projects within the scope of the activated powers. There is no possibility that activation—which will simply support and enhance existing services—could have a significant impact on the environment. Further, the activation of powers itself does not authorize any construction or development of land. If a construction or development project is proposed in the future, the construction or development would be subject to environmental review as appropriate at that time. Because the site and project-specific details of any potential future construction or development project are unknown at this time, impacts of such potential future development are speculative; and

WHEREAS, the Board of Directors has considered all written and/or oral comments or testimony made by any affected local agency, affected county or any interested person submitted prior to or at the public hearing scheduled and held on November 8, 2019, the notice for which was published pursuant to Government Code sections 56153 and 56154.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Fallbrook Public Utility District as follows:

1. **Recitals.** The forgoing recitals are true and correct and are incorporated herein and are made an operative part of this Resolution of Application.
2. **Public Hearing.** As the decision-making body for the Fallbrook Public Utility District, the Board of Directors has considered all written and/or oral comments or testimony made by any affected local agency, affected county, or any interested person submitted prior to or at the public hearing scheduled and held on November 8, 2019 on the Resolution of Application. Notice of the public hearing was published pursuant to the requirements of Government Code sections 56153 and 56154 as required by Government Code section 56824.14.
3. **CEQA Compliance.** For all the reasons set forth in the above Recitals, and based upon all of the substantial evidence in the record as a whole, the Board of

Directors of the Fallbrook Public Utility District finds that the approval of the power to exercise the Activated Powers: (1) is not a “project” subject to environmental review under CEQA pursuant to Public Resources Code § 21065 and State CEQA Guidelines § 15378 (a); (2) alternatively, is exempt from CEQA under the Class 1 exemption for existing facilities (CEQA Guidelines § 15301); (3) alternatively, is exempt from CEQA under the Class 20 exemption as a “change in organization” (State CEQA Guidelines § 15320); (4) alternatively, is exempt from CEQA under the “common sense” exemption because it can be seen with certainty that there is no possibility that activation may have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).); and 5) none of the exceptions to the application of these exemption exist under State CEQA Guidelines § 15300.2.

- a. The Board of Directors hereby directs that all documents and other materials constituting the record of proceedings related to this Resolution of Application for approval of the power to exercise the Activated Powers, be maintained by the General Manager of the Fallbrook Public Utility District, or his designee, on file at the Fallbrook Public Utility District 990 East Mission Road, Fallbrook, CA 92028.
 - b. The Board of Directors directs Staff to file a Notice of Exemption with the County Clerk for the County of San Diego.
4. **Adoption.** This Resolution of Application is hereby adopted and approved by the Board of Directors of the Fallbrook Public Utility District and San Diego LAFCO is hereby requested to initiate proceedings as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 for the activation of the FPUD’s power to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the Activated Powers described herein.
 5. **Plan for Services.** The Board of Directors directs staff to finalize the draft Plan for Services attached hereto as Exhibit “A.”
 6. **Submission of Resolution of Application and other Application Materials.** The Board of Directors further authorizes and directs the Fallbrook General Manager to file a certified copy of this Resolution of Application together with the required LAFCO application, finalized Plan for Services, FPUD map and other documents with the Executive Officer of the San Diego Local Agency Formation Commission.

7. **Effective Date.** This Resolution shall take effect immediately upon adoption by the Board of Directors of the Fallbrook Public Utility District.

PASSED AND ADOPTED by the Board of Directors of the Fallbrook Public Utility District at a special meeting of the Board held on the 8th day of November, 2019, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President, Board of Directors

ATTEST:

Secretary, Board of Directors

Exhibit "A"
Draft Plan for Services

Fallbrook Public Utility District
Plan for Providing
Activated Powers Services
Prepared by FPUD Staff
July 29, 2019

Background of District

History

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."

Fallbrook Public Utility District (District) was formed on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

The District became a member of the San Diego County Water Authority (SDCWA) at SDCWA's formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (MWD). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, MWD augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the SDCWA provides virtually all of the District's potable water through direct connections to MWD pipelines in Southwest Riverside County.

Governance and Organizational Structure

The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district in which he or she resides within the District's service area. To run for office, a candidate must live in the area he or she is running to represent, must be at least eighteen years of age, a citizen of the State of California, and a registered voter in the County of San Diego. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

Current Board of Directors:

District #1 – Dave Baxter

District #2 - Ken Endter

District #3 - Jennifer DeMeo, Vice-President

District #4 - Don McDougal, President

District #5 - Charley Wolk

Service Area and Local Economy

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2017 population is estimated to be 34,330 with 11,418 households. Fallbrook's population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$60,510, which is less than the state median of \$67,739 and slightly higher than the national average of \$59,039. San Diego County's unemployment rate is 3.7%, which is lower than the State's 4.3%.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.

Enumeration and Description of the Services to be Provided

The District seeks approval to exercise parks and recreation, street lighting, and roads and streets functions within its boundaries, specifically with regard to the services set forth in Public Utilities Code section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets ("Public Park and Recreation Facilities/ Street Lighting and Road Improvements Powers" or "Activated Powers") within the boundaries of the district. This request is based on a request from local non-profit groups that are currently providing these services. The intent is, that if approved by LAFCO, the District would exercise its Activated Powers as a supplement to and not replacement to services provided by the County within the area.

The existing service providers for many of the parks and recreation services are through non-profit entities, such as the Fallbrook Village Association, Save our Forest, Fallbrook Beautification Alliance, Live Oak Park Coalition, The Fallbrook Trails Council and the Fallbrook Land Conservancy. These funds would help support and enhance these efforts. County Service Area (CSA) 81 also provides park and recreation services to County owned facilities within the proposed area. If approved the District would be authorized to provide additional Public Park and Recreation Facilities/ Street Lighting and Road Improvements in addition to what is currently provided through CSA 81.

A summary of potential projects, identified by the community groups, is summarized below:

Installation and maintenance of trees, planters, lighting and benches in public spaces. Improvements to preserves, pocket parks, and community areas. Creation and/or expansion of parks and preserves, including but not limited to: The Railroad Heritage Park, a skate park, and an agriculture park. Ongoing maintenance for the abovementioned parks and preserves, as well as other projects identified by the community.

Level and range of services to be provided

The total amount of support provided by the District for additional Activated Powers services will be based on the available funding and a priority list of projects identified. The priority list of projects will be developed by a volunteer committee appointed by the District Governing Board. The Activated Powers volunteer committee will recommend a list of projects and anticipated costs to the District Board for approval. A summary of the proposed organization of the oversight committee and a draft of potential policy and procedures to be adopted by the FPUD Board for this oversight committee are included in Exhibit A.

The types of projects and services to be provided are summarized above.

An indication of when services can feasible be extended

Since this request does not require any reorganization or additional staffing it is anticipated the services can be initiated with 3-4 months after LAFCO approves the Activated Powers. From a financial accounting and budget control perspective, it is preferred to initiate services at the start of the Fiscal Year (July 1), so that the new additional Activated Powers fund can be initiated as part of the District budget adoption process.

Required Improvements or Upgrades of Facilities

It is not anticipated that the District will require additional property or facilities to exercise the Activated Powers.

Total Estimated cost to provide services

The initial allocation of funds is based on a proposed reallocation of existing property tax revenues from the water enterprise, of an amount equivalent to \$5 per meter per month for a total of \$546,420 (approximately 60% of the District-Wide Property Tax Revenues). The District will only provide funding and services for additional Activated Powers services within the allocated funding amount. If funding is fully allocated, no additional projects related to the Activated Powers will be undertaken until further revenue is collected. If the amount allocated is not spent in a given fiscal year, it will remain in the Activated Powers enterprise fund for subsequent use.

Existing Service Providers

Governmental

County of San Diego: The County currently provides park and recreation services in the district 44 square mile service area. It also collects additional funds through CSA 81 to provide services at county owned facilities. The county owned facilities in the service area include:

- Santa Margarita Preserve: 221 acres
- Fallbrook Community Center: Playfields and meeting areas
- Don Dussault County Park: 0.75 acre playground

- Clemmens Lane Park: Playfields and picnic area

Wildlands Conservancy: Owns and manages the 1380 acre Santa Margarita River Preserve that provides recreation opportunities for hiking, horseback riding and mountain biking.

Fallbrook Land Conservancy: Owns and manages multiple preserves in the District service area that are open to the public for recreation. Owns and manages a historic building, meeting space & sculpture garden available for public use.

Fallbrook Sports Association: Manages sports programs at Ingold Sports Park on County airport property through an agreement with the County.

Fallbrook Village Association: Owns and manages Jackie Heyneman Park, Vince Ross square and the Railroad Heritage Park.

Fallbrook Beautification Alliance: Keep Fallbrook litter free program, Graffiti abatement, Flower pots on Main Ave., Mission Medians and shared responsibility for Welcome Home Military Flag

Save our Forest: Installation and stewardship of community trees and benches, stewardship of Pico Promenade, environmental education program for elementary schools in the District service area, and shared responsibility for Welcome Home Military Flag.

Fallbrook Art Association: Art in Public Places

Latent Powers Proposal

The request will include the activation of the additional Public Park and Recreation Facilities/ Street Lighting and Road Improvements functions specifically with regard to the services set forth in Public Utilities Code Section 16463, as follows: public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, street lighting systems and works to provide for the drainage of roads, streets, and public places, including but not limited to, curbs, gutters, sidewalks, and pavement of streets . There is no requested change to any other existing service being provided by the District.

Plan for Financing the establishment of a new of different service function

The proposed Activated Powers related to the Parks and Recreation function would largely be provided through existing nonprofit entities providing public parks and recreation services (public parks, public playgrounds, public recreation buildings, buildings used for a public purpose, The District currently projects to collect a total of \$1,918,296 of property tax revenue, some of which (a projected \$912,422) comes from property tax on parcels in the entire District (“District-Wide Property Tax Revenues”), The District currently allocates the District-Wide Property Tax Revenues to the water enterprise as described in more detail below. The District also collects additional property tax for parcels within the sewer service area, which is collected from properties within only a portion of the District boundary (Improvement District “S”). To support the Activated Powers, the District proposes to allocate 60% of the projected District-Wide Property Tax Revenues (a projected \$546,420) to fund a new Activated Powers enterprise fund. As stated above, the District currently allocates the District-Wide Property Tax Revenues to the District’s water enterprise—using the funds to pay a portion of the District cash funded

(PAYGO) water capital improvement program which funds water infrastructure replacement and rehabilitation. The PAYGO CIP program is budgeted to be between \$3 - \$5 million per year. The reallocation of the District-Wide Property Tax Revenues would require the District to charge additional fees to maintain the currently targeted fund balances for its water enterprise and offset the loss in PAYGO CIP revenues. Any additional fees charged by the District will need to be part of a separate rate setting process that must comply with Proposition 218 requirements.

Alternatives for establishing new or different functions or classes of services.

The coalition of community groups involved in this effort evaluated a number of alternatives before requesting that the District submit a request for expansion of services:

1. Establishment of a landscape and lighting District under the County: This alternative was explored in detail with the county, but it was determined by the coalition of groups that a preference for local control of the funds was preferred. The county had also initially indicated a need for a substantial overhead cost to establish the new funding mechanism, which would reduce the amount of funds available to invest back in the community.
2. Establishment of a new parcel tax. Due to the time and expense to establish a new parcel tax, the coalition identified the utilization of existing property tax revenue as a preferred alternative.

EXHIBIT A

FALLBROOK COMMUNITY BENEFIT PROGRAM

DRAFT OF POTENTIAL POLICIES & PROCEDURES

NAME: Fallbrook Community Benefit Program

MISSION: Promote, coordinate and oversee funding for community projects that benefit Fallbrook and its residents.

Committee Member Criteria:

1. All Committee Members shall serve in a voluntary capacity and receive no compensation.
2. An application to be a Committee member will be posted on the FPUD (Fallbrook Public Utility District) website and advertised in the local newspaper. The Committee will be approved by the FPUD Board.
3. Members of the community who reside within the FPUD service area or are FPUD ratepayers are eligible to serve on the Committee.
4. The Committee shall consist of seven (7) members and will include representatives from nonprofits, residents and business owners.
5. The Committee term is three (3) years with staggered terms to start the process. There shall be a three term limit (total of nine years), with a one-year break after serving three consecutive terms. The one-year break must be waived by majority vote of the FPUD Board.
6. If a Committee member serves on the Board of Directors of an organization whose project is under consideration, the Committee member must recuse them self and leave the room during discussion of the project.
7. Committee members must sign a conflict of interest statement.

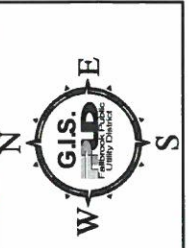
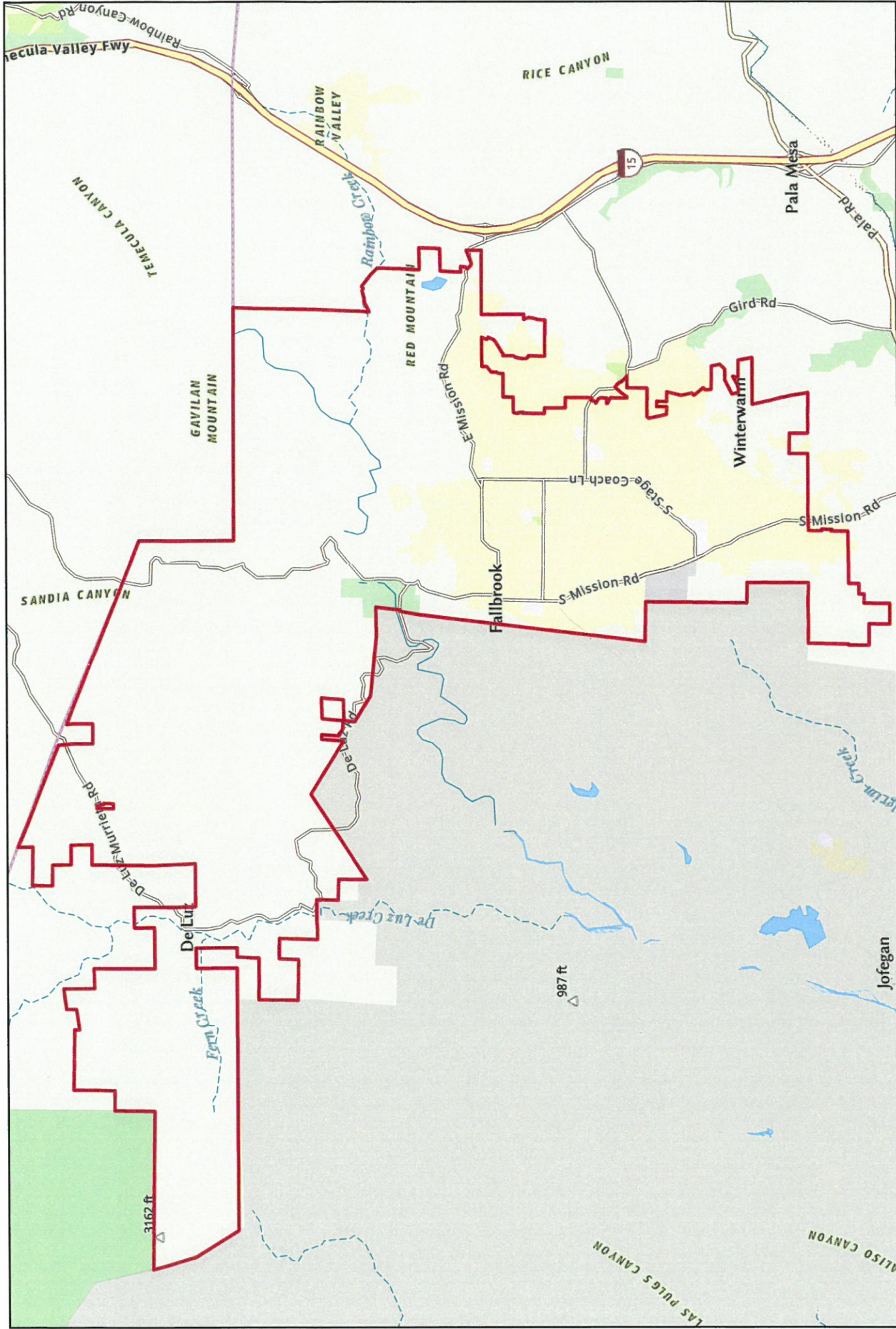
Committee Guidelines:

1. The Committee shall meet no less than once a quarter on a set date and time.

2. The Committee Chair shall be elected by the Committee members for a one-year term and shall conduct the meetings. A Vice Chairman and Secretary shall be elected for one-year terms. The Vice Chairman shall act in the absence of the Chairman. The Secretary shall take minutes and handle Committee correspondence.
3. Community organizations seeking funding may apply once in every funding cycle (fiscal year).
4. The program shall directly benefit areas that are within the FPUD service area.
5. The program must benefit the community and not a specific organization.
6. Priorities on awarding the funding should be set by determining the broadest community benefit.
7. Funding shall not directly benefit a for-profit entity.
8. The Committee will recommend which community projects should be funded based on FPUD (Local Agency Formation Commission) guidelines. Non-profits that provide benefits to public areas such as aesthetics (beautification), leisure, education, entertainment, or recreation will be considered.
9. It is the intent that 50% of the funds received be allocated for maintenance and 50% for capital projects. Funds for larger capital projects can be accumulated.
10. The Committee will interact with the FPUD Board to ensure effective and efficient decisions.

Exhibit "B"

Map of Fallbrook Public Utility District



FALLBROOK PUBLIC UTILITY DISTRICT BOUNDARY

0 0.5 1 2 3 4 Miles
 0 3,750 7,500 15,000 22,500 30,000 Feet

Map Created by Todd Jester (8-13-19). X:\GIS\Data - Inside\Project Specific\Director Division Map\Director Division Map\DIST_BOUNDARY.mxd
 Projection: California State Plane NAD 83 Feet - Zone 6 - Epoch 1991.35 - Source: FPUD, ESRI

FPUD BOUNDARY

DISCLAIMER: By accepting this map, you agree that the Fallbrook Public Utility District assumes no liability or responsibility for any kind arising from use of this map. This map is based on the best available data, and any calculations associated with this map is provided without warranty of any kind.